



**DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
YEAR ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-26
March 26, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2002

The following areas of concern were noted in our audit of the Department of Higher Education, State Guaranty Student Loan Program.

In our prior audit of this program, we found the department had not recorded any fixed asset additions or dispositions on the detailed fixed asset listing for the year ended June 30, 2000. In addition, property records were not maintained in a manner that allowed beginning balances, additions, and dispositions for each year to be reconciled to balances at the end of the year. Also, reconciliations between fixed asset purchases recorded on the Statewide Advantage for Missouri (SAM II) expenditure reports and additions to the fixed asset records were not performed.

Due to significant personnel turnover among accounting staff, general fixed asset records were still not maintained on a current basis and periodic reconciliations of fixed asset additions to equipment purchases per SAM II system reports were not performed. However, in order to prepare financial statements as of June 30, 2001, the Department of Higher Education (DHE) did compare additions for the fiscal year to equipment purchases per the SAM II system and updated the general fixed asset records for additions and deletions that occurred during the year. The DHE indicated they are now in the process of obtaining SAM II reports to perform reconciliations of fixed asset additions for the current fiscal year.

NOTE: In 1978, the Missouri General Assembly created the Missouri Student loan Program (MSLP) to administer the Federal Family Education Loan Program (FFELP) in the state of Missouri on behalf of the Coordinating Board for Higher Education (CBHE). The CBHE has statutory authority to oversee the MSLP and to act as the guaranty agency for the FFELP. In this capacity, the CBHE, acting through the MSLP, guarantees loans made to students by eligible lending institutions.

During the first state fiscal year of operations, the CBHE guaranteed **\$15,524,850** in FFELP loans to 7,289 borrowers. In contrast, as of June 30, 2001, the cumulative volume of loans guaranteed was **\$4,158,308,495**, representing 1,450,871 FFELP loans. Included in this total is \$1,971,998,912 in outstanding loans.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM

TABLE OF CONTENTS

		<u>Page</u>
<hr/> <u>FINANCIAL SECTION</u> <hr/>		
State Auditor's Reports:		2-6
Financial Statements		3-4
Compliance and Internal Control Over Financial Reporting		5-6
Financial Statements:		7-10
<u>Exhibit</u>	<u>Description</u>	
A	Combined Balance Sheet, June 30, 2001	8
B	Combined Statement of Revenues, Expenditures, and Changes in Fund Balance, Year Ended June 30, 2001	9
C	Statement of Appropriations and Expenditures, Year Ended June 30, 2001	10
Notes to the Financial Statements		11-23
<hr/> <u>MANAGEMENT ADVISORY REPORT SECTION</u> <hr/>		
Follow-Up on Prior Audit Findings		25-27
<hr/> <u>STATISTICAL SECTION</u> <hr/>		
History, Organization, and Statistical Information		29-32
<u>Appendix</u>		33-39
A	Loans Guaranteed	34-36
B	Default Claims Paid, Service Fees, and Loans Outstanding.....	37-38
C	Portfolio Mix.....	39

FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Bob Holden, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, MO 65109

We have audited the accompanying financial statements of the various funds of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 2001, as identified in the table of contents. These financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Guaranty Student Loan Program as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 18, 2002, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

An integral part of the program's funding comes from federal awards. Those federal awards are reported on in the State of Missouri's Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

January 18, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Randall Gordon, CPA
Audit Staff:	Stephen M. Garner
	Lucinda S. Elliott
	Julie Tomlinson
	Gek Mui Melinda Tan



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Bob Holden, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, MO 65109

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the State Guaranty Student Loan Program are free of material misstatement, we performed tests of the program's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the State Guaranty Student Loan Program, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the State Guaranty Student Loan Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

January 18, 2002 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 COMBINED BALANCE SHEET
 JUNE 30, 2001

	Special Revenue Funds				Agency Fund	Account Groups		Total (Memorandum Only)	
	Federal	Guaranty	Restricted	Restricted	Automatic	General Fixed	General Long-Term	June 30, 2001	June 30, 2,000
	Student Loan	Agency Operating			Transfer of Money	Asset Account	Debt Account		
	Reserve Fund	Fund	Reserve Fund	Interest Fund	(ATOM) Fund	Group	Group		
ASSETS AND OTHER DEBITS									
Cash and investments	\$ 26,959,151	6,970,923	25,937,336	2,052,239	147,694	0	0	62,067,343	64,458,872
Due from federal government:									
Reinsurance	5,078,246	0	0	0	0	0	0	5,078,246	2,542,838
Loan processing and issuance fee	0	212,180	0	0	0	0	0	212,180	184,770
Account maintenance fee	0	463,542	0	0	0	0	0	463,542	519,509
Loan recoveries receivable	255,098	0	0	0	0	0	0	255,098	0
Guarantee fees receivable	12,452	0	0	0	0	0	0	12,452	61,536
Interest receivable	3,309	856	3,177	258	0	0	0	7,600	6,763
Other receivable	0	113,729	0	0	53,643	0	0	167,372	0
Allowance for default aversion rebate	300,000	0	0	0	0	0	0	300,000	300,000
Due from other funds	1,784,758	1,196,830	0	3,177	0	0	0	2,984,765	4,753,989
Fixed assets	0	0	0	0	0	769,365	0	769,365	720,087
Accumulated depreciation	0	0	0	0	0	(510,906)	0	(510,906)	(414,922)
Amount to be provided for retirement of general long-term debt	0	0	0	0	0	0	138,422	138,422	91,487
Total Assets and Other Debits	\$ 34,393,014	8,958,060	25,940,513	2,055,674	201,337	258,459	138,422	71,945,479	73,224,929
LIABILITIES, EQUITY, AND OTHER CREDITS									
Liabilities:									
Accrued payroll	\$ 0	63,871	0	2,587	0	0	0	66,458	19,894
Employee fringe benefits payable	0	18,429	0	779	0	0	0	19,208	25,323
Accounts payable	1,994,343	173,094	0	8,585	1,231	0	0	2,177,253	4,047,900
Accrued leave liability	0	0	0	0	0	0	97,264	97,264	91,487
Obligation under lease purchase	0	0	0	0	0	0	41,158	41,158	0
Deferred federal advances	1,874,831	0	0	0	0	0	0	1,874,831	1,874,831
Default aversion rebate allowance	0	300,000	0	0	0	0	0	300,000	300,000
Due to federal government	0	0	25,937,336	0	0	0	0	25,937,336	19,453,002
Due to schools	0	0	0	0	77,635	0	0	77,635	72,199
Due to lenders	0	0	0	0	112,222	0	0	112,222	38,317
Due to other funds	1,195,683	1,775,656	3,177	0	10,249	0	0	2,984,765	4,753,989
Total Liabilities	5,064,857	2,331,050	25,940,513	11,951	201,337	0	138,422	33,688,130	30,676,942
Equity and Other Credits:									
Investment in fixed assets	0	0	0	0	0	258,459	0	258,459	305,165
Fund balance	29,328,157	6,627,010	0	2,043,723	0	0	0	37,998,890	42,242,822
Total Equity and Other Credits	29,328,157	6,627,010	0	2,043,723	0	258,459	0	38,257,349	42,547,987
Total Liabilities, Equity, and Fund Balance	\$ 34,393,014	8,958,060	25,940,513	2,055,674	201,337	258,459	138,422	71,945,479	73,224,929

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE
 YEAR ENDED JUNE 30, 2001

	Special Revenue Funds				Total (Memorandum Only)	
	Federal	Guaranty	Restricted	Restricted	Year Ended June 30,	
	Student Loan Reserve Fund	Agency Operating Fund	Reserve Fund	Interest Fund	2001	2000
REVENUES						
Guarantee fees	\$ 0	0	0	0	0	79,377
Federal reimbursements:						
Reinsurance	24,885,317	0	0	0	24,885,317	13,362,545
Loan processing and issuance fee	0	2,244,746	0	0	2,244,746	1,715,680
Account maintenance fee	0	1,813,004	0	0	1,813,004	1,931,341
Tax refund reimbursement/closed school	0	332,702			332,702	0
Interest income	2,002,414	517,884	1,219,895	99,110	3,839,303	3,398,000
Loan recoveries	2,694,468	24,125,211	0	0	26,819,679	27,327,758
Miscellaneous	0	8,405	0	0	8,405	14,718
Total Revenues	<u>29,582,199</u>	<u>29,041,952</u>	<u>1,219,895</u>	<u>99,110</u>	<u>59,943,156</u>	<u>47,829,419</u>
EXPENDITURES						
Personal service	0	1,481,320	0	50,054	1,531,374	1,364,032
Employee fringe benefits	0	438,152	0	15,106	453,258	370,850
Expense and equipment	0	6,411,193	0	638,029	7,049,222	6,561,792
Defaulted loan purchases	45,136,235	0	0	0	45,136,235	33,281,354
Collection agency fees	0	3,509,186	0	0	3,509,186	4,107,638
Payments to federal government	0	0	6,484,334	0	6,484,334	6,484,334
Other	0	6,175	0	0	6,175	0
Total Expenditures	<u>45,136,235</u>	<u>11,846,026</u>	<u>6,484,334</u>	<u>703,189</u>	<u>64,169,784</u>	<u>52,170,000</u>
REVENUES OVER (UNDER) EXPENDITURES	(15,554,036)	17,195,926	(5,264,439)	(604,079)	(4,226,628)	(4,340,581)
OTHER FINANCING SOURCES (USES)						
Operating transfers:						
In	17,018,865	2,562,688	6,484,334	1,219,895	27,285,782	27,529,683
Out	(8,941,007)	(17,019,965)	(1,219,895)	0	(27,180,867)	(27,237,077)
Appropriations exercised by other state agencies	0	(122,219)	0	0	(122,219)	(130,426)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(7,476,178)	2,616,430	0	615,816	(4,243,932)	(4,178,401)
FUND BALANCE, JULY 1	36,804,335	4,010,580	0	1,427,907	42,242,822	46,351,284
PRIOR PERIOD ADJUSTMENT	0	0	0	0	0	69,939
ADJUSTED FUND BALANCE, JULY 1	<u>36,804,335</u>	<u>4,010,580</u>	<u>0</u>	<u>1,427,907</u>	<u>42,242,822</u>	<u>46,421,223</u>
FUND BALANCE, JUNE 30	\$ <u>29,328,157</u>	<u>6,627,010</u>	<u>0</u>	<u>2,043,723</u>	<u>37,998,890</u>	<u>42,242,822</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2001

	Appropriations	Expenditures	Lapsed Balances
FEDERAL STUDENT LOAN RESERVE FUND			
Purchase of defaulted loans, payment of default aversion fees, reimbursement to federal government, and investment of funds	\$ 85,000,000	44,633,447	40,366,553
Total Federal Student Loan Reserve Fund	<u>85,000,000</u>	<u>44,633,447</u>	<u>40,366,553</u>
GUARANTY AGENCY OPERATING FUND			
Personal service	1,486,875	1,403,457	83,418
Managed by Facilities Management	118,562	118,562	0
Expense and equipment	8,132,206	6,388,588	1,743,618
Federal loan compliance	200,000	0	200,000
Collection invoicing	2,000,000	584,823	1,415,177
Total Guaranty Agency Operating Fund	<u>11,937,643</u>	<u>8,495,430</u>	<u>3,442,213</u>
RESTRICTED INTEREST FUND			
Personal service	87,500	47,467	40,033
Expense and equipment	1,314,301	629,444	684,857
Total Restricted Interest Fund	<u>1,401,801</u>	<u>676,911</u>	<u>724,890</u>
Total All Funds	<u>\$ 98,339,444</u>	<u>53,805,788</u>	<u>44,533,656</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the State Guaranty Student Loan Program of the Department of Higher Education (DHE).

The Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the Automated Transfer of Money (ATOM) Fund, presented in Exhibits A and B, are separate accounting entities, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for any fund or program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the ATOM Fund, Exhibits A and B, are prepared in conformity with accounting principles generally accepted in the United States of America. The statements are presented on the modified accrual basis of accounting which recognizes revenues when they become both measurable and available to pay current liabilities and expenditures when the related liabilities are incurred.

Employees earn a specified number of vacation leave hours monthly, depending on the number of years employed. Before November 1, 2000, accrued vacation leave at the end of each month could not exceed the number of hours earned in two years. Effective November 1, 2000, employees may accrue vacation leave in excess of the maximum hours allowed for their length of employment. However, on October 31 of each year, excess vacation leave balances are reduced to the allowed maximums. Compensatory time is accrued as it is earned by eligible employees under the Fair Labor Standards Act.

Upon termination, employees are paid accrued vacation leave and compensatory time. If a terminating employee's vacation leave balance exceeds the allowed maximum, however, the employee is paid only for the maximum. Thus, in the financial statements at Exhibit A, the accrued liability is recorded in the General Long-Term Debt Account Group. The accrued liability represents benefits accumulated but unused as of June 30 and is valued at the salary rates then in effect, including the state's share of related payments such as social security and medicare taxes.

Employees earn ten hours of sick leave monthly, with no limit on the number of hours that may be accrued. Since accrued sick leave is not paid to employees upon their termination, no related liability appears in the financial statements.

General fixed assets, which are recorded as an expenditure when acquired, are capitalized in the General Fixed Asset Account Group when the cost of the asset is greater or equal to \$1,000. These assets are then depreciated and shown on the Combined Balance Sheet, Exhibit A. A useful life of 36 months is used for technological assets (i.e. computers) and a life of 60 months is used for all other assets. Straight-line depreciation with no salvage value is the method of depreciation used for all capitalized assets.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting. For the year ended June 30, 2001, expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.

The budgetary basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The State Treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly, except for the ATOM Fund which is controlled entirely by the department.

SPECIAL REVENUE FUNDS:

Federal Student Loan Reserve Fund: This fund was created pursuant to the provisions of the Higher Education Act (HEA) of 1998 that requires guaranty agencies to account for transactions related to claim payment and default aversion activities in a separate fund. The legislation provides that the fund is the property of the United States government and may only be used to pay claims to lenders and pay default aversion fees to the Guaranty Agency Operating Fund.

Guaranty Agency Operating Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for operating revenues and expenditures in a separate fund. The legislation provides that the fund is the property of the guaranty agency and may be used to pay for the operations of the Federal Family Education Loan Program (FFELP) and other student assistance activities.

Restricted Reserve Fund: As described in Note 5 to the financial statements, this fund was established to comply with the requirements of the Balanced Budget Act of 1997 that amended the Higher Education Act of 1965. This fund represents monies which are restricted for eventual payment to the United States Treasury. Revenues include monies which the department earns on the investments of the reserve.

Restricted Interest Fund: This fund represents interest earned on the Restricted Reserve Fund and transferred to this fund. Interest monies are to be used solely for default prevention activities.

AGENCY FUND:

ATOM Fund: The department serves as an escrow agent by disbursing student loan funds to schools on behalf of participating lenders.

ACCOUNT GROUPS:

General Fixed Asset Account Group: This account group accounts for all fixed assets of the State Guaranty Student Loan Program.

General Long-Term Debt Account Group: This account group accounts for the long-term debt of the State Guaranty Student Loan Program which includes accrued leave liability and capitalized leases.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a monthly state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least one year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation incentive amount.

Employee fringe benefits in the financial statements at Exhibits A and B are the transfers from the Guaranty Agency Operating Fund and the Restricted Interest Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and life insurance benefits provided to retired employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

2. Cash and Investments

The balances of the Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, and the Restricted Interest Fund are pooled with other state funds and invested by the State Treasurer.

Amounts in the ATOM Fund represent cash and investments which are in the custody of the department. The department has determined that a checking account and repurchase agreement are appropriate types of accounts and investments for its needs.

Deposits

The reported amount of the ATOM Fund's deposits was \$4,654 which was also the bank balance.

The ATOM Fund's deposits at June 30, 2001, were entirely covered by federal depository insurance or by collateral securities held by the program's custodial bank in the department's name.

Investments

The ATOM Fund's investment at June 30, 2001, was a repurchase agreement with a reported amount of \$143,040 and a bank balance and fair value of \$812,098.

Of the reported amount at June 30, 2001, \$143,040 represents investments that were held by an independent bank in the department's name.

3. Due from Federal Government - Reinsurance

This amount represents defaulted loan claims to be reimbursed by the U.S. Department of Education (USDE) at June 30, 2001, net of amounts due to the USDE for refunds of claims previously reimbursed, collections on defaulted loans, including administrative wage garnishments, collections on rehabilitated loans, and amounts received for loans paid in full through consolidation. The amount reimbursed by USDE for defaulted loan claims is considered to be "reinsurance" to the DHE since the agency has already purchased the defaulted loan from the lender, "insuring" the lender against further loss. Except for refunds of claims previously reimbursed, which are fully refundable to the USDE, federal regulations allow the DHE to retain a percentage of amounts collected. The percentages retained vary according to the type of collection and the reinsurance rate effective at the time of the claim payment. The difference between amounts collected and the DHE retention is due to the USDE, and is offset against amounts due to the agency from the USDE for reinsurance on defaulted loans.

For loans disbursed prior to October 1, 1993, the reinsurance agreement between the Coordinating Board for Higher Education (CBHE) and the Secretary of the USDE provides for reinsurance claims to be paid at 100 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1993, but before October 1, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 98 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 95 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal

year. If the net default rate exceeds 5 percent, USDE reimbursements for reinsurance are reduced. The following default rates occurred for the State Guaranty Student Loan Program:

<u>September 30,</u>	<u>Default Rate (%)</u>
2001	2.91
2000	1.98

4. Deferred Federal Advances

This amount represents advances from the USDE to supplement the fund balance which backs the department's loan guarantees. The USDE may require that the advances be repaid whenever the fund balance is determined adequate to back current outstanding loan guarantees. As of June 30, 2001, the principal amount was \$1,874,831.

5. Due to Federal Government

The Balanced Budget Act of 1997 amended the Higher Education Act of 1965 to require the U.S. Secretary of Education to recall approximately \$1 billion in funds from guaranty agencies. Under this provision, guaranty agencies are required to deposit a portion of their funds into restricted accounts for eventual transfer to the United States Treasury. The deposits into the restricted accounts are to be made in equal annual installments within 90 days after the beginning of federal fiscal years 1998 through 2002. All funds in the restricted accounts will be transferred to the United States Treasury on September 1, 2002. The following schedule represents deposits that have been or will be made to the Restricted Reserve Fund:

<u>Fiscal Year</u>	<u>Deposit Amount</u>	<u>Cumulative Amount</u>
1998	\$6,484,334	\$ 6,484,334
1999	6,484,334	12,968,668
2000	6,484,334	19,453,002
2001	6,484,334	25,937,336
2002	6,484,334	32,421,670

6. Federal Reimbursements – Loan Processing and Issuance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals 0.65 percent of loans originated during the quarter. Payments are computed quarterly based on amounts reported to the National Student Loan Data System (NSLDS).

7. Federal Reimbursements – Account Maintenance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals 0.10 percent of outstanding loans. Payments are computed quarterly based upon amounts reported to the NSLDS. Prior to October 1, 2000 the administrative fee was 0.12 percent.

8. Federal Reimbursement - Tax Refund Reimbursement/Closed School

This amount represents amounts received as reimbursement for refunds of overpayments made through the treasury offset program. In addition, this amount represents amounts received as reimbursement for refunds made to borrowers for payments made toward FFELP loans that qualify for a closed school discharge. Closed school discharges provide relief for borrowers who are unable to complete their programs of study due to the closing of a school.

9. Guarantor Servicer Fees

The DHE contracts with a guarantor servicer to provide accounting records, billings, application processing, loan maintenance, claims services, and collection services. Expense and equipment expenditures of the Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer fees of \$4,105,111 for the year ended June 30, 2001.

In addition, the guarantor servicer performs collection activities on defaulted accounts for 120 days after default claim paid date. Prior to June 1, 2001, the servicer retained a portion of the amount collected as a collection fee. Beginning on June 1, 2001, the servicer no longer retained fees from collections, but instead forwarded gross collections to the DHE. The servicer then invoiced the DHE for commission fees. Collection agency fee expenditures of the Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer commission fees of \$1,001,671 for the year ended June 30, 2001.

10. Default Aversion Contractor Fees

The DHE contracts with a company to provide default aversion and prevention procedures. Expense and equipment expenditures of the Guaranty Agency Operating Fund, as presented in Exhibit B, include default aversion fees of \$1,275,098 for the year ended June 30, 2001. Expense and equipment expenditures of the Restricted Interest Fund, as presented in Exhibit B, include default prevention fees of \$452,732 for the year ended June 30, 2001.

11. Collection Agency Commissions

The DHE contracts with several collection agencies for collection services. Prior to June 1, 2001, the collection agencies kept a portion of collections as commission fees. Beginning on June 1, 2001, the DHE's collection agencies no longer retained fees from collections, but

instead forwarded gross collections to the DHE. The collection agencies then invoiced the DHE for commission fees. The collection agency's commission fees, as included in the collection agency fees expenditures in Exhibit B, for the year ended June 30, 2001 were \$2,507,515.

12. Operating Transfers

A. Default Aversion Fee

The DHE collects a fee for preventing delinquent borrowers from defaulting. The DHE is eligible to collect a one-time fee on each loan where a lender files a Request for Default Aversion Assistance with the guaranty agency. The fee is calculated as 1 percent of the delinquent loan balance and may be transferred no more frequently than monthly from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include default aversion fees of \$1,312,679. If the DHE collects the fee on a loan that subsequently defaults, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund.

B. Account Maintenance Fee

The USDE requires the DHE to transfer a portion of the account maintenance fee for the quarter ending September 30 from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund instead of USDE paying the amount directly. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include account maintenance fees of \$244,099.

C. ATOM Fund Interest

Interest monies earned on the ATOM Fund are transferred from the ATOM Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include ATOM interest of \$104,915.

D. Secretary's Equitable Share of Loan Recoveries

Prior to June 1, 2001, the Secretary's Equitable Share of Loan Recoveries was transferred from the Guaranty Agency Operating Fund to the Federal Student Loan Reserve Fund since all collections on defaulted loans were deposited in the Guaranty Agency Operating Fund upon receipt. Transfers in to the Federal Student Loan Reserve Fund, as presented in Exhibit B, include the secretary's equitable share of collections of \$17,010,760. Beginning June 1, 2001, all collections on defaulted loans were deposited in the Federal Student Loan Reserve Fund upon receipt. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include \$899,895 of the operating fund's share of collections.

E. Federal Liability

Transfers in to the Restricted Reserve Fund, as presented in Exhibit B, include the federal recall liability as discussed in Note 5 of \$6,484,334.

F. Restricted Interest

Transfers in to the Restricted Interest Fund, as presented in Exhibit B, represent interest earned on the Restricted Reserve Fund.

13. Due To Other Funds and Due From Other Funds

The amounts due to and due from other funds, as presented in Exhibit A, include the following:

<u>Fees</u>	<u>Due To</u>	<u>Due From</u>
Secretary's Equitable Share of Loan Recoveries Including Interest of \$1,766,451	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund
Usage Fees and/or Prepaid Expenses of \$9,205	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund
Guarantee Fees of \$9,102	Federal Student Loan Reserve Fund	ATOM Fund
Operating Share of Loan Recoveries Including Interest of \$500,739	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
Default Aversion Fees of \$450,845	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
Account Maintenance Fees of \$244,099	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
ATOM Fund Interest of \$1,147	Guaranty Agency Operating Fund	ATOM Fund
Interest of \$3,177	Restricted Interest Fund	Restricted Reserve Fund

14. Appropriations Exercised by Other State Agencies

The Missouri General Assembly made appropriations from the Guaranty Agency Operating Fund for the loan program's proportionate share of the department's rental payments. These appropriations are administered by the Office of Administration, Division of Facilities Management.

15. Escheatment Funds

The guarantor servicer maintains an escheatment account which includes old outstanding checks and some old borrower payments which cannot be processed because of insufficient information. These funds are the property of the State Guaranty Student Loan Program and totaled \$40,435 at June 30, 2001. These monies are not included in the financial statements.

16. Changes in General Fixed Assets

The following is a summary of changes in general fixed assets for the year ended June 30, 2001:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Cost of Assets	\$ 720,087	92,651	43,373	769,365
Less-Accumulated Depreciation	<u>(414,922)</u>	<u>(136,140)</u>	<u>(40,156)</u>	<u>(510,906)</u>
Total General Fixed Assets Account Group, Net of Depreciation	<u>\$ 305,165</u>	<u>(43,489)</u>	<u>3,217</u>	<u>258,459</u>

17. Capital Leases

The DHE has entered into an agreement to lease a copier. FASB Statement No. 13, "Accounting for Leases," requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease). This capital lease is reported in the General Long-Term Debt Account Group and the copier is reported in the General Fixed Assets Account Group. The following is a summary of the future minimum lease payments for the capital lease:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2002	\$11,965
2003	11,965
2004	11,965
2005	11,965
2006	<u>997</u>
Total minimum lease payments	48,857
Less amount representing interest	<u>(7,699)</u>
Present value of net minimum lease payments	<u>\$41,158</u>

18. Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2001:

	Balance July 1, 2000	Increases	Decreases	Balance June 30, 2001
Compensated Absences	\$ 91,487	5,777	0	97,264
Obligation under lease purchase	0	48,600	7,442	41,158
Total General Long Term Debt	\$ 91,487	54,377	7,442	138,422

19. Allowance for Default Aversion Rebate

When the DHE collects default aversion fees on loans that subsequently default, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund. The DHE calculated an allowance for the default aversion rebate expenses that they may incur.

20. ATOM Fund Revenues and Expenditures

Revenues and Expenditures of the ATOM Fund are:

REVENUES:

Interest income	\$ 124,668
Loan disbursements from banks	204,099,208
School returns	5,658,546
	<u>209,882,422</u>

EXPENDITURES:

Payments to schools	208,051,716
Payments to lenders	1,707,138
Bank charges	18,653
	<u>209,777,507</u>

OTHER FINANCING USES:

Operating transfers out	<u>(104,915)</u>
-------------------------	------------------

REVENUES OVER(UNDER)
EXPENDITURES AND OTHER
FINANCING USES

\$ 0

21. Reconciliation of Total Expenditures to Appropriated Expenditures

Total expenditures for the Guaranty Agency Operating Fund, Federal Student Loan Reserve Fund, and Restricted Interest Fund on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund	Restricted Interest Fund
EXPENDITURES PER EXHIBIT B	\$ 45,136,235	11,846,026	703,189
Employee fringe benefits	0	(438,152)	(15,106)
Default aversion fees	1,495,360	0	0
Guarantor servicer commissions netted against collections	0	(1,001,671)	0
Collection agency commissions netted against collections	0	(1,922,694)	0
Appropriation exercised by another state agency	0	118,562	0
Bad debt expense	(3,805)	0	0
Other unidentified adjustments	0	14,687	0
2001 Lapsed period expenditures	0	(20,860)	0
Accrued payroll, June 30, 2001	0	(63,871)	(2,587)
Accounts payable, June 30, 2001	(1,994,343)	(36,597)	(8,585)
EXPENDITURES PER EXHIBIT C	\$ <u>44,633,447</u>	<u>8,495,430</u>	<u>676,911</u>

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the State Guaranty Student Loan Program of the Department of Higher Education on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 2000.

Although the recommendations were not repeated, the DHE should consider implementing those recommendations.

Fixed Assets

- A. The department had not recorded any fixed asset additions or dispositions on the detailed fixed asset listing for the year ended June 30, 2000. In addition, property records were not maintained in a manner that allowed beginning balances, additions, and dispositions for each year to be reconciled to balances at the end of the year.
- B. Reconciliations between fixed asset purchases recorded on the Statewide Advantage for Missouri (SAM II) expenditure reports and additions to the fixed asset records were not performed.
- C. Some fixed assets were not properly numbered, tagged, or otherwise identified as the department's property.
- D. Fixed asset duties were not adequately segregated.

Recommendation:

The DHE:

- A. Properly maintain the general fixed asset records on a current basis by recording all additions and dispositions as they occur and in accordance with state regulations. In addition, the DHE should maintain fixed asset records in a manner that allows balances to be reconciled from period to period (i.e. beginning balance, plus additions, less dispositions, equals ending balance).
- B. Perform reconciliations of fixed asset additions to equipment purchases per the SAM II system reports.
- C. Ensure all fixed assets are properly tagged or identified as DHE owned property in accordance with state regulations.

- D. Ensure an individual independent of the record keeping function performs the physical inventory.

Status:

- A&B. Partially implemented. Due to significant personnel turnover among accounting staff, general fixed asset records were still not maintained on a current basis and periodic reconciliations of fixed asset additions to equipment purchases per SAM II system reports were not performed. However, in order to prepare financial statements as of June 30, 2001, the DHE did compare additions for the fiscal year to equipment purchases per the SAM II system and updated the general fixed asset records for additions and deletions that occurred during the year. The DHE indicated they are now in the process of obtaining SAM II reports to perform reconciliations of fixed asset additions for the current fiscal year. Although not repeated, the DHE should consider fully implementing these recommendations.
- C. Not implemented. The DHE indicated fixed assets will be tagged during the next physical inventory performed.
- D. Not implemented. The DHE indicated the next physical inventory performed will be handled by an employee independent of the record keeping process.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

In 1978, the Missouri General Assembly created the Missouri Student Loan Program (MSLP) to administer the Federal Family Education Loan Program (FFELP) in the state of Missouri on behalf of the Coordinating Board for Higher Education (CBHE). The CBHE has statutory authority to oversee the MSLP and to act as the guaranty agency for the FFELP. In this capacity, the CBHE, acting through the MSLP, guarantees loans made to students by eligible lending institutions.

During the first state fiscal year of operations, the CBHE guaranteed \$15,524,850 in FFELP loans to 7,289 borrowers. In contrast, as of June 30, 2001, the cumulative volume of loans guaranteed was \$4,158,308,495, representing 1,450,871 FFELP loans. Included in this total is \$1,971,998,912 in outstanding loans.

The FFELP was created by the Higher Education Act of 1965, which is reauthorized by Congress every five years. There are currently four types of loans available to eligible borrowers under the FFELP:

- Subsidized Federal Stafford Loan
- Unsubsidized Federal Stafford Loan
- Parent Loan for Undergraduate Students
- Federal Consolidation Loan

Subsidized Federal Stafford Loans are need-based loans available to eligible undergraduate and graduate students. Generally, the federal government pays interest on the loan as long as the borrower is enrolled at least half-time and during the borrower's six-month grace period and authorized deferment periods.

Unsubsidized Federal Stafford Loans have the same terms and conditions as Subsidized Stafford Loans except that they are not need-based, and the borrower is responsible for all interest payments.

Parent Loans for Undergraduate Students allow parents to borrow guaranteed loans for dependent students. Borrowers are responsible for all interest, and repayment generally begins within 60 days from the time the loan is fully disbursed.

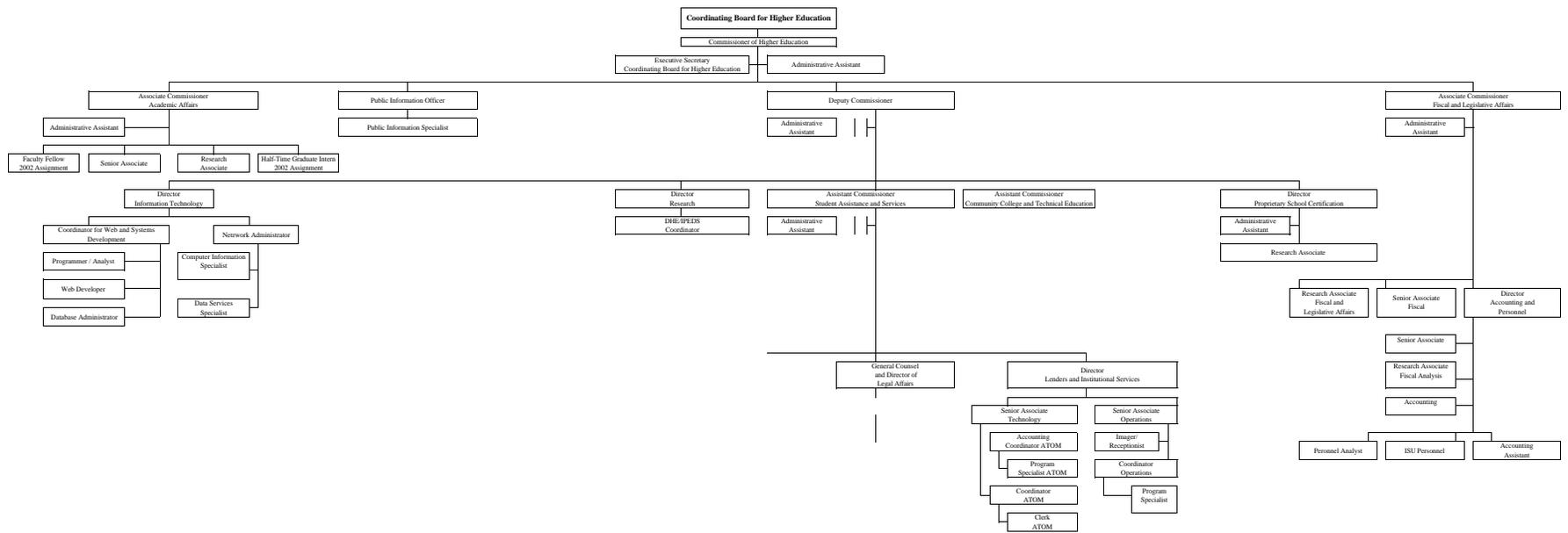
Federal Consolidation Loans are available to borrowers who wish to combine existing student loans into one new loan. Generally, this results in lower monthly payments but higher total interest costs.

In August 1995, the department established the Automated Transfer of Money (ATOM) fund in an effort to aid schools by streamlining the delivery of Missouri student loan funds. By serving as an escrow agent, the department disburses student loan funds to schools on behalf of the participating lenders. As of June 30, 2001, the cumulative number of disbursements to schools

was 580,539, totaling \$969,560,067. Currently, there are 81 participating lenders and over 337 schools that receive the loan disbursements.

In October 1997, the CBHE approved a new organizational structure to combine the administration of the Missouri grant, scholarship, and federal loan programs into one student assistance area. The new division was named Missouri Student Assistance Resource Services (MOSTARS). MOSTARS was created as a “one stop shop” which, in coordination with high school counselors and college and university financial aid offices, provides resources and information to ensure that Missouri citizens have an opportunity to finance postsecondary education. MOSTARS employs approximately fifty-five full-time equivalent employees.

The organization chart follows.



Appendix

APPENDIX A

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 PROGRAM STATISTICS
 LOANS GUARANTEED

FEDERAL SUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (SSLP)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1986 and prior	\$ 824,126,957	824,126,957	2,236
1987	109,860,344	933,987,301	2,290
1988	95,710,975	1,029,698,276	2,304
1989	104,304,308	1,134,002,584	2,318
1990	123,392,544	1,257,395,128	2,336
1991	150,441,323	1,407,836,451	2,359
1992	162,633,091	1,570,469,542	2,386
1993	187,700,329	1,758,169,871	2,431
1994	218,830,241	1,977,000,112	2,494
1995	161,814,986	2,138,815,098	2,529
1996	130,748,319	2,269,563,417	2,558
1997	149,205,698	2,418,769,115	2,590
1998	185,261,639	2,604,030,754	2,630
1999	190,388,523	2,794,419,277	2,670
2000	204,359,788	2,998,779,065	2,700
2001	225,969,346	3,224,748,411	2,747

FEDERAL UNSUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (USSLP)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1993	\$ 13,695,823	13,695,823	2,320
1994	55,230,171	68,925,994	2,920
1995	66,408,588	135,334,582	2,933
1996	57,314,322	192,648,904	2,967
1997	73,907,196	266,556,100	3,034
1998	103,112,219	369,668,319	3,146
1999	120,416,869	490,085,188	3,244
2000	139,234,683	629,319,871	3,326
2001	160,139,441	789,459,312	3,385

FEDERAL PARENT LOANS FOR UNDERGRADUATE STUDENTS PROGRAMS (PLUS)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1986 and prior	\$ 9,892,008	9,892,008	2,658
1987	3,017,208	12,909,216	2,684
1988	4,367,589	17,276,805	2,773
1989	6,286,876	23,563,681	2,847
1990	8,471,120	32,034,801	2,917
1991	11,230,270	43,265,071	2,978
1992	13,428,488	56,693,559	3,029
1993	13,371,943	70,065,502	3,190
1994	11,522,861	81,588,363	6,285
1995	11,218,115	92,806,478	3,390
1996	9,359,878	102,166,356	3,481
1997	12,683,865	114,850,221	3,612
1998	19,340,718	134,190,939	3,790
1999	22,704,277	156,895,216	3,981
2000	27,624,226	184,519,442	4,195
2001	34,883,320	219,402,762	4,448

FEDERAL SUPPLEMENTAL LOANS TO STUDENT PROGRAMS (SLS)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1986 and prior	\$ 18,041,953	18,041,953	2,775
1987	5,480,183	23,522,136	2,789
1988	6,939,321	30,461,457	2,792
1989	9,759,342	40,220,799	2,752
1990	12,411,963	52,632,762	2,753
1991	21,234,781	73,867,543	2,877
1992	24,603,045	98,470,588	2,892
1993	28,337,468	126,808,056	2,940
1994	21,145,273	147,953,329	2,962
1995	13,212	147,966,541	2,962
**			

** No new SLS loans were made on or after July 1, 1994.

TOTAL LOANS GUARANTEED

Year Ended September 30,	Loans Guaranteed During Year	Total Loans Guaranteed to Date
1986 and prior	\$ 852,060,918	852,060,918
1987	118,357,735	970,418,653
1988	107,017,885	1,077,436,538
1989	120,350,526	1,197,787,064
1990	144,275,627	1,342,062,691
1991	182,906,374	1,524,969,065
1992	200,664,624	1,725,633,689
1993	243,105,563	1,968,739,252
1994	306,728,546	2,275,467,798
1995	239,454,901	2,514,922,699
1996	197,422,519	2,712,345,218
1997	235,796,759	2,948,141,977
1998	307,714,576	3,255,856,553
1999	333,509,669	3,589,366,222
2000	371,218,697	3,960,584,919
2001	420,992,107	4,381,577,026

APPENDIX B

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 PROGRAM STATISTICS
 DEFAULT CLAIMS PAID

		<u>Stafford</u>	<u>PLUS</u>	<u>SLS</u>	<u>Unsubsidized Stafford</u>
AS OF JUNE 30, 1999	\$	356,925,165	5,829,742	35,574,224	16,281,777
Default claims paid during fiscal year 2000		<u>12,639,398</u>	<u>340,919</u>	<u>1,002,801</u>	<u>5,418,129</u>
AS OF JUNE 30, 2000		369,564,563	6,170,661	36,577,025	21,699,906
Default claims paid during fiscal year 2001		<u>16,455,269</u>	<u>723,801</u>	<u>1,209,412</u>	<u>7,536,145</u>
AS OF JUNE 30, 2001	\$	<u><u>386,019,832</u></u>	<u><u>6,894,462</u></u>	<u><u>37,786,437</u></u>	<u><u>29,236,051</u></u>

Defaulted loans represent loans which became delinquent and which the state purchased from the lender. Bankruptcy, death, and disability claims are excluded.

SERVICE FEES

During the audit period, Guarantec administered the loan program for the department. The loan servicer is compensated on a fee-per-transaction basis. Guarantec's billing rates for the period July 1, 2000 to June 30, 2001 were:

<u>Service</u>	<u>Rate</u>	
Mandatory Services		
Electronic Application Guarantee	\$ 3.66	per transaction
Hard Copy Application	5.63	per transaction
Outstanding Loans - In School and In Grace	0.23	per loan
Outstanding Loans - In Repayment	0.57	per loan
Loan Delinquency Brought Current	4.50	per loan
Claim Paid	56.28	per transaction

Optional Services		
Application/Promissory Note		
Generated and Mailed	1.97	per transaction
Credit Check on PLUS	5.63	per transaction

LOANS OUTSTANDING

The following loan amounts were outstanding at June 30, 2001 and 2000:

	June 30,	
	<u>2001</u>	<u>2000</u>
Stafford	\$ 1,202,652,388	1,175,196,491
Unsubsidized Stafford	492,251,863	402,767,313
PLUS	101,206,864	92,853,075
SLS	29,863,827	38,175,963
Consolidated	145,997,201	151,633,977
Refinanced	<u>26,769</u>	<u>26,769</u>
Total	\$ <u><u>1,971,998,912</u></u>	<u><u>1,860,653,588</u></u>

APPENDIX C

DEPARTMENT OF HIGHER EDUCATION
 STATE GUARANTY STUDENT LOAN PROGRAM
 PROGRAM STATISTICS
 PORTFOLIO MIX

	<u>Year Ended September 30,</u>		
	2001	2000	1999
	Portfolio Mix	Portfolio Mix	Portfolio Mix
	<u>Percentages</u>	<u>Percentages</u>	<u>Percentages</u>
Public in-state	34.3 %	34.2 %	33.0 %
Private in-state	51.6	52.9	53.4
Proprietary in-state	11.3	10.8	11.1
Out-of-state and foreign	<u>2.8</u>	<u>2.1</u>	<u>2.5</u>
Total	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>

The State Guaranty Student Loan Program monitors the program to ensure that a desirable mix is maintained.

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